

Questions and Answers on the Connecticut Neighborhood Assistance Act Tax Credit Program

PURPOSE: This Informational Publication explains the Connecticut Neighborhood Assistance Act Tax Credit Program.

WHAT IS THE CONNECTICUT NEIGHBORHOOD ASSISTANCE ACT TAX CREDIT PROGRAM?

The Connecticut Neighborhood Assistance Act (NAA) Tax Credit Program is designed to provide funding for municipal and tax exempt organizations.

Businesses are granted a tax credit for contributing to certain programs approved by the Department of Revenue Services. Depending upon the nature of the program and the individuals served, credit is either 60% or 40% of the approved amount contributed. Unused credits may be carried back to the two immediately preceding income years.

The program has several statutory limits which must be observed, including the following:

- A business is limited to receiving \$75,000 in tax credit annually.
 - A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate.
 - The total charitable contributions of the contributing business must equal or exceed its prior year's amount.
 - The minimum contribution on which credit can be granted is \$250.
 - The program has a four million dollar cap which if exceeded, results in proration of approved donations.
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WHO QUALIFIES FOR THIS CREDIT?

Municipal and tax exempt organizations may develop programs that qualify for NAA benefits. Areas that qualify include, but are not limited to, energy

conservation, employment and training, child care services, neighborhood assistance and substance abuse.

HOW DO I APPLY FOR THIS CREDIT?

Tax Exempt and Municipal Entities: Neighborhood organizations and Connecticut municipalities desiring to obtain benefits under the Neighborhood Assistance Act must complete **Form NAA-01, Connecticut Neighborhood Assistance Act Program Proposal**, Parts I, II and III and submit the form to the municipal agency that will be overseeing the implementation of the proposal. (The overseeing municipal agency then completes Part IV of **Form NAA-01** and submits the form to the Department of Revenue Services on or before **July 1** of each year).

Corporations: Businesses that wish to make a cash contribution to a qualified community program are required to complete **Form NAA-02, Neighborhood Assistance Act Business Application**, and mail or hand deliver the form to the Department of Revenue Services between **September 15** and **October 1** of each year. (No facsimiles are accepted.)

HOW IS THIS CREDIT CLAIMED?

The Department of Revenue Services issues a Neighborhood Assistance Act Tax Credit program approval letter to corporations that qualify. The letter indicates the tax credit amount that may be claimed on the Connecticut corporation business tax return. The credit amount must also be entered on **Form CT-1120K, Corporation Business Tax Credit Summary**.

HOW IS THIS CREDIT COMPUTED?

Credit is either 60% or 40% of the amount contributed, depending upon the nature of the program and the type of clients served.

60% - Credit is allowed not to exceed 60% of the total cash invested during the taxable year in certain energy conservation, employment and training programs and child care services programs as provided in Conn. Gen. Stat. §12-635.

40% - Credit is allowed not to exceed 40% of the total cash invested during the taxable year in qualifying community programs as provided in Conn. Gen. Stat. §12-632. (See Conn. Gen. Stat. §12-633)

ARE THERE ANY CARRYFORWARD OR CARRYBACK LIMITATIONS?

The amount of tax credit that is not taken on the tax return of a business for the income year beginning during the calendar year in which the program proposal was approved may only be carried back to the two immediately preceding income years (beginning with the earlier of such years).

WHAT ATTACHMENTS ARE REQUIRED TO THE CONNECTICUT CORPORATION BUSINESS TAX RETURN?

A Neighborhood Assistance Act Tax Credit approval letter, issued by the Department of Revenue Services, along with copies of the corporation's federal income tax returns for the current and preceding income years must be attached to the Connecticut corporation business tax return.

EFFECT ON OTHER DOCUMENTS: None affected.

EFFECT OF THIS DOCUMENT: An Informational Publication is a document that addresses frequently

asked questions about a current Department position, policy or practice.

RELATED FORMS AND PUBLICATIONS:

Request the most recent edition of the following forms: **Form NAA-01**, *Neighborhood Assistance Act Program Proposal*, and **Form NAA-02**, *Neighborhood Assistance Act Business Application*.

FOR FURTHER INFORMATION: Please call the Department of Revenue Services Research Unit during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5687** (anywhere)
- **TTY, TDD and Text Telephone users only** may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

FORMS AND PUBLICATIONS: Forms and publications are available 24 hours a day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS web site: **www.state.ct.us/drs**
- **DRS TAX-FAX:** call **860-297-5698** from the handset attached to your fax machine and select from the menu; or
- **Telephone:** Call **1-800-382-9463** (in-state), or **860-297-5687** (anywhere).